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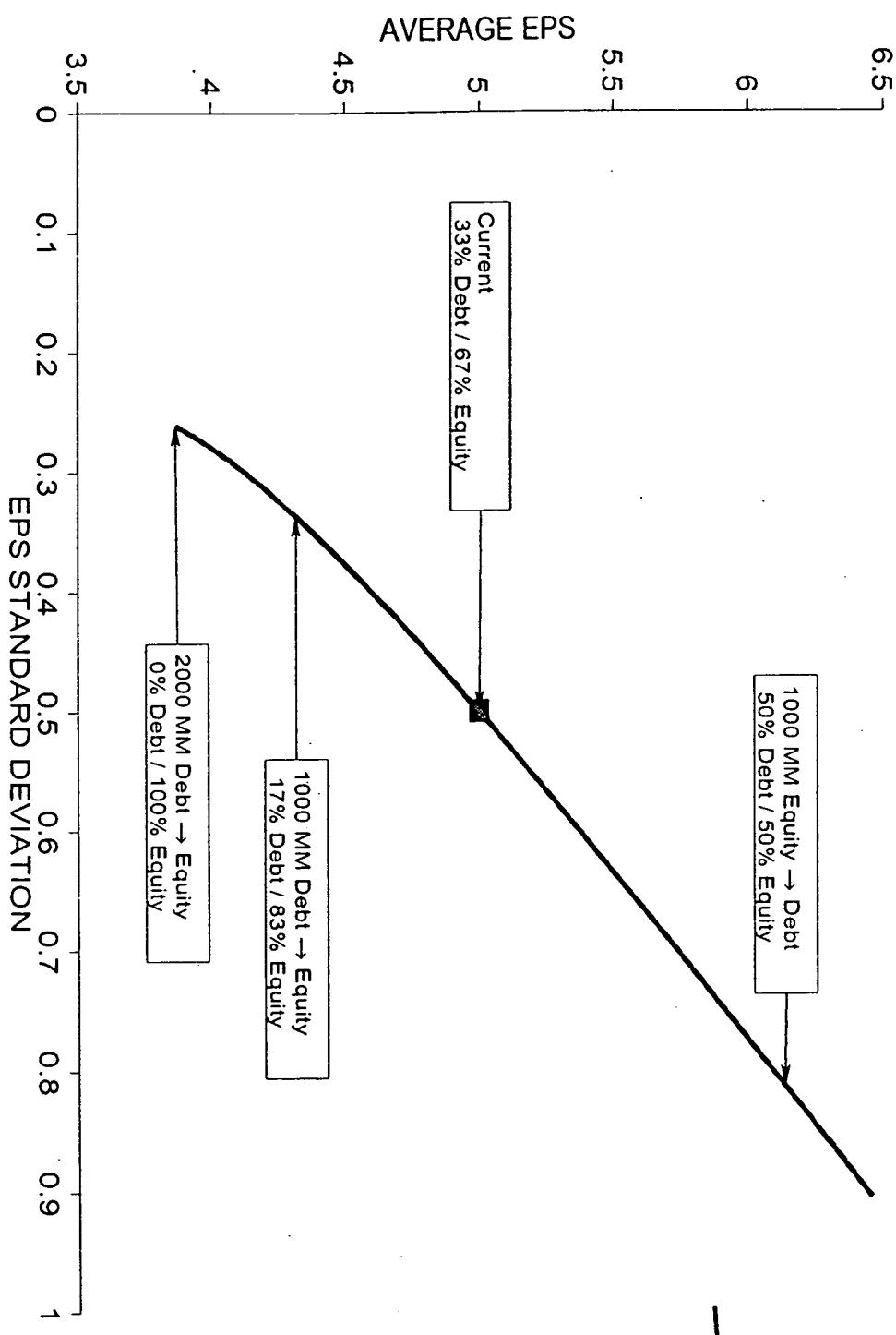
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Fig. 2

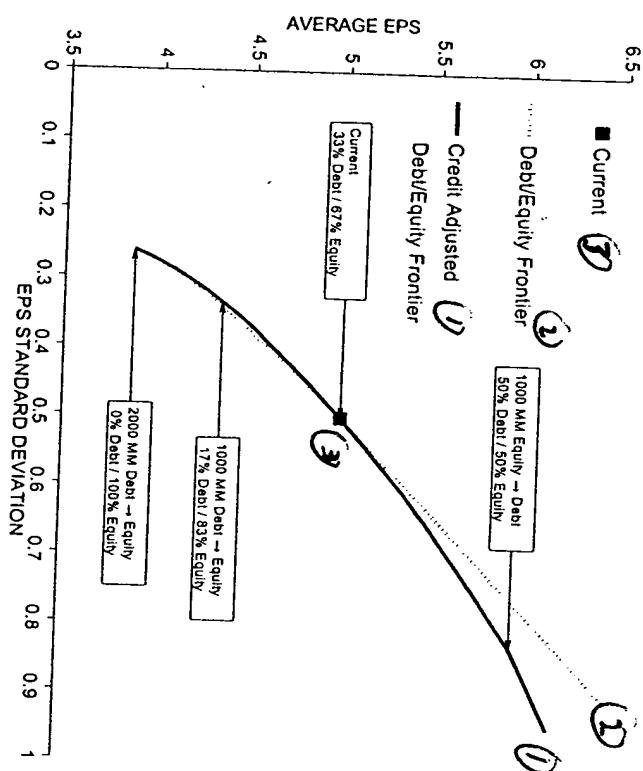


Fig. 3

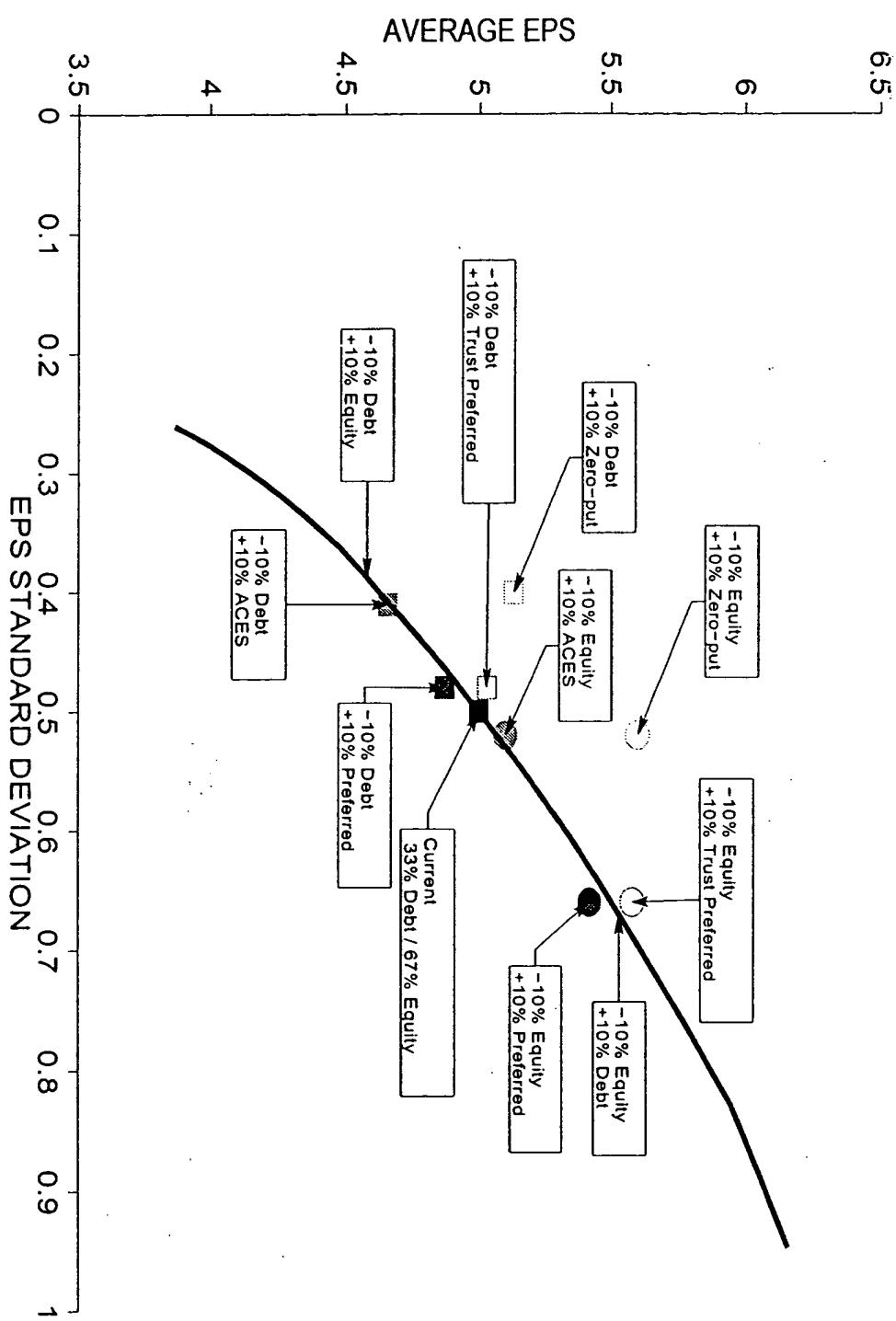
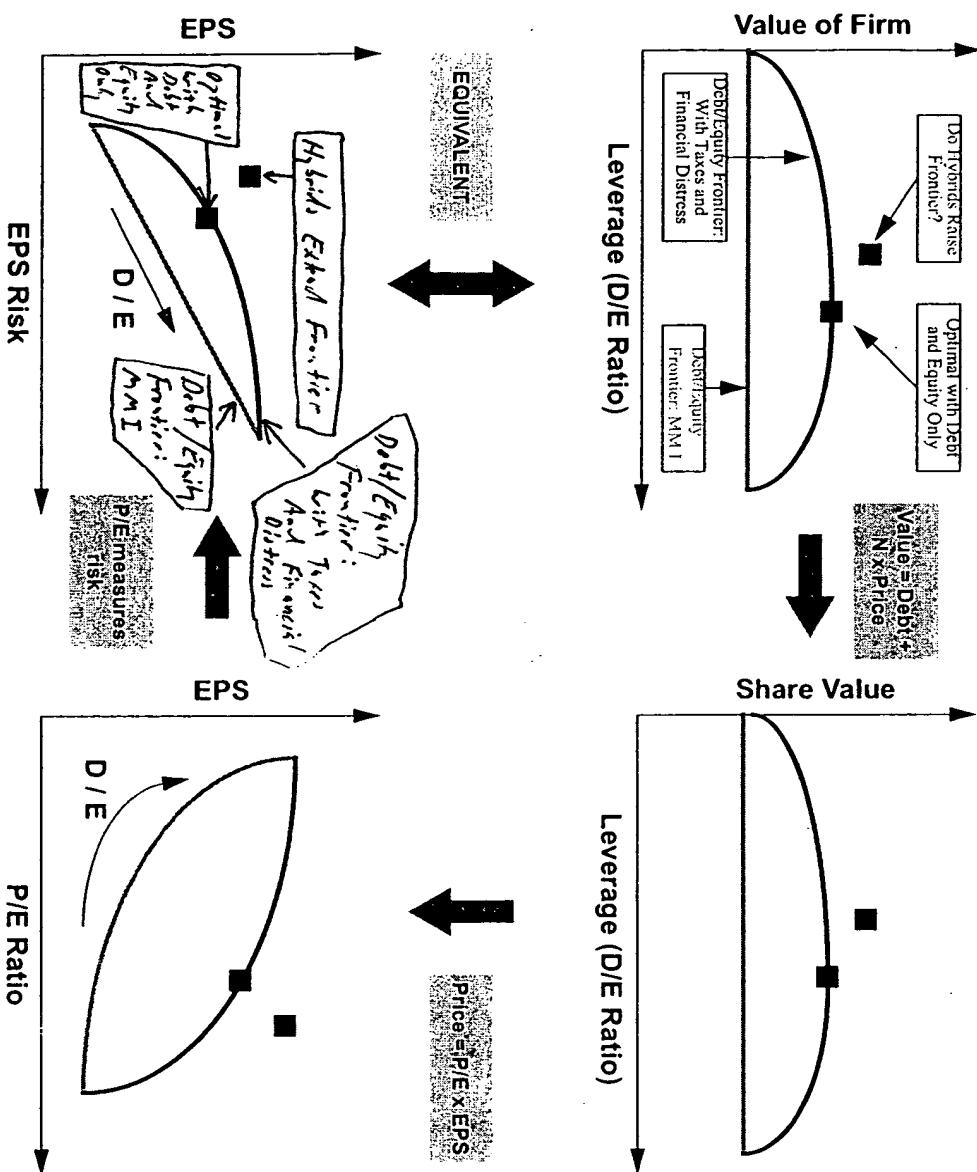


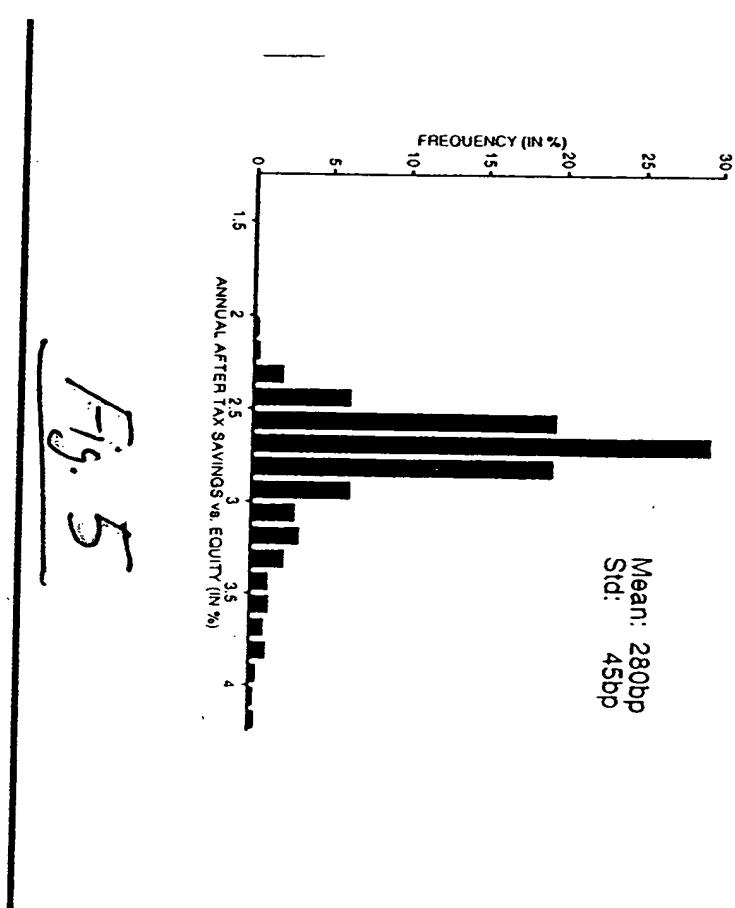
Fig. 4

- Value of the Firm Framework:
 - Not from common shareholders' perspective.
 - No explicit tradeoff between benefit and risk.
 - Hard to quantify.

- **Shareholders' Perspective:**
 - Value of Firm = Shareholders' value + Other Stakeholders' value.
 - Management acts in interest of shareholders to maximize per share value (or share price).
 - MMI: Share price independent of leverage.



<ul style="list-style-type: none"> • EPS framework: Common shareholders' perspective. • Explicit tradeoff between benefit and risk. • Easy to quantify. 	<p>4. EPS framework:</p> <ul style="list-style-type: none"> • Share Price = $EPS \times P/E$ Ratio. • Increasing Leverage increases EPS but decreases P/E. • MM I: EPS and P/E exactly inversely proportional.
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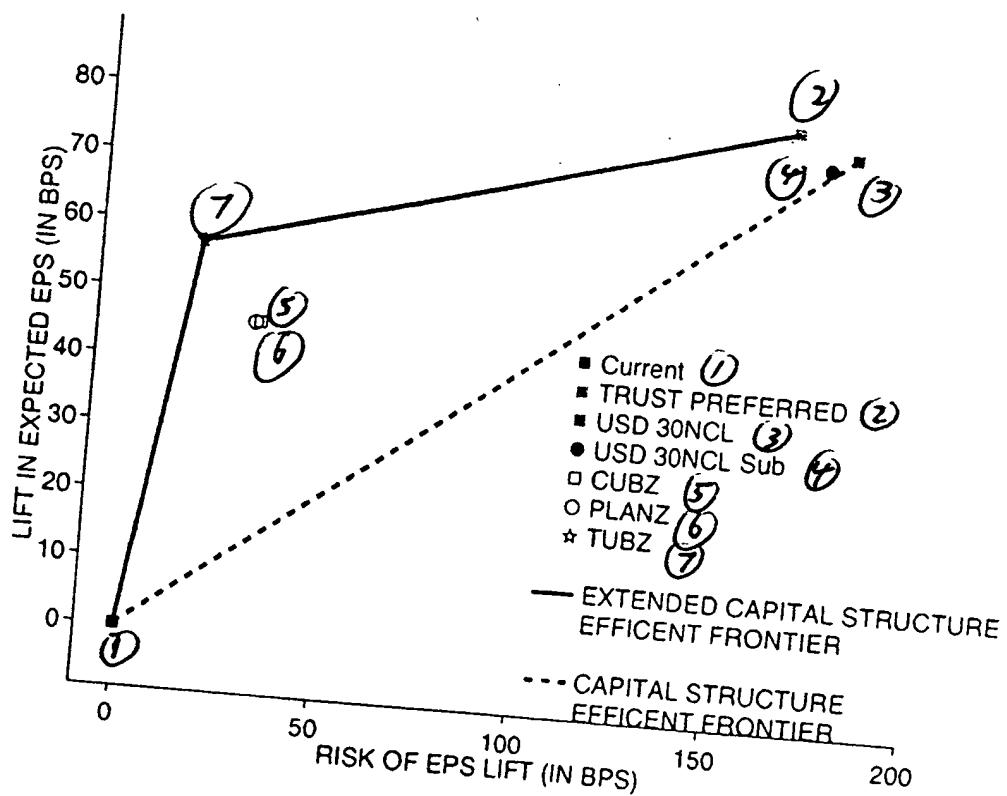


Fig. 6

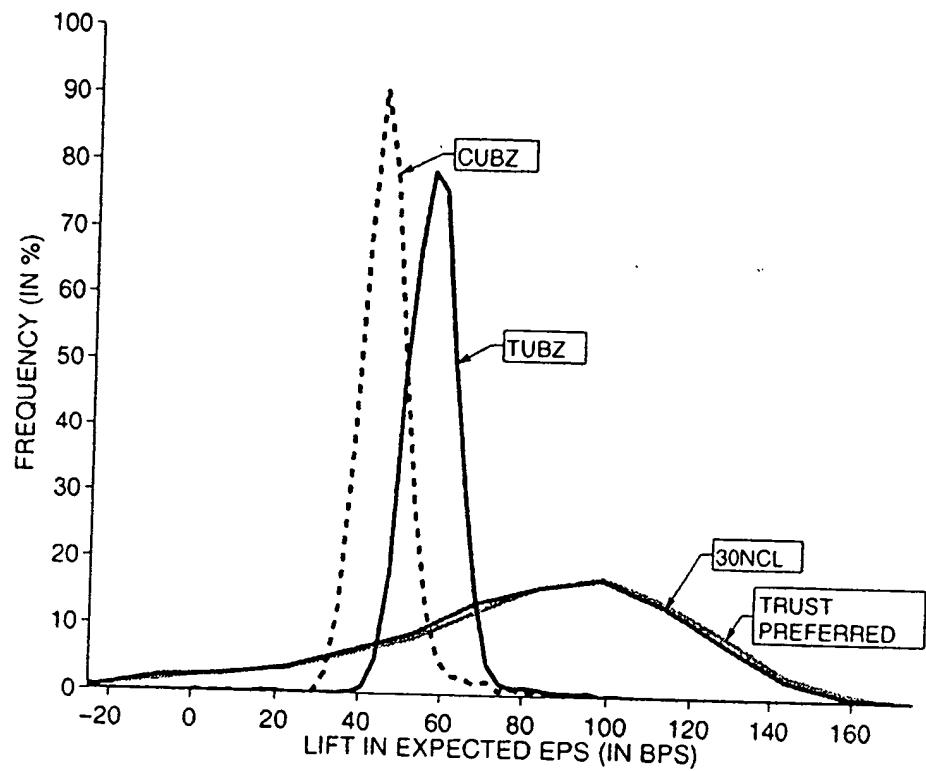


Fig. 7

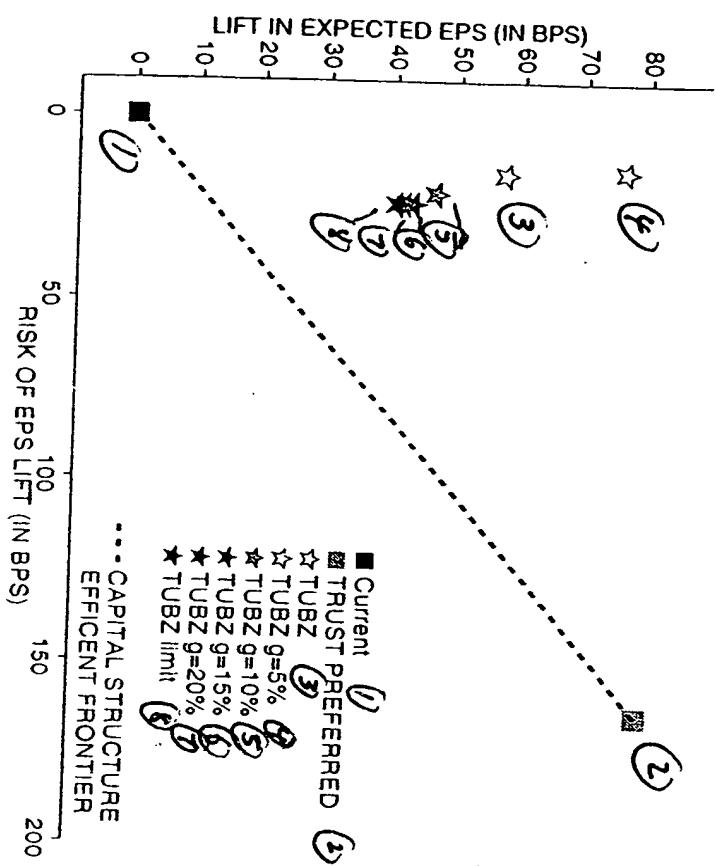


Fig. 8

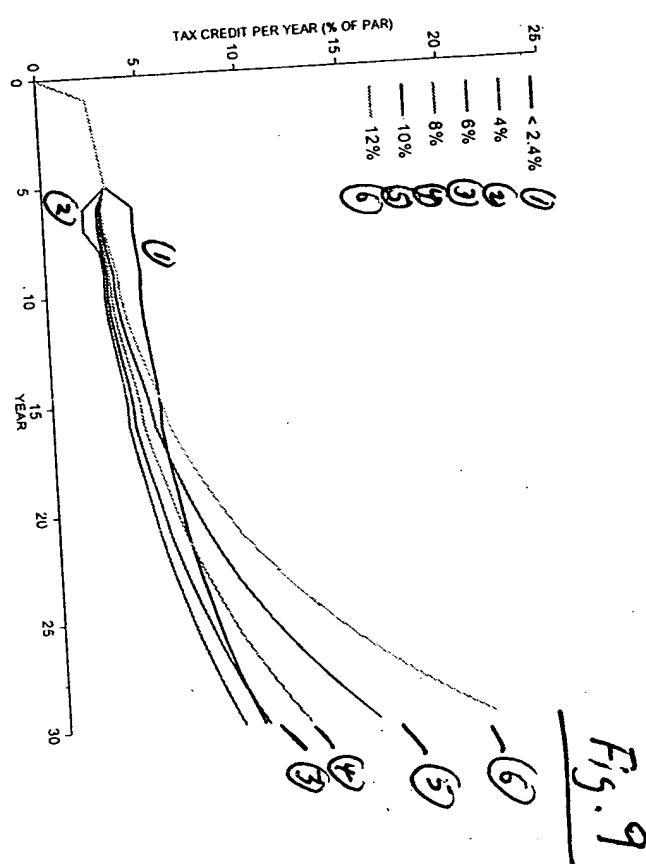
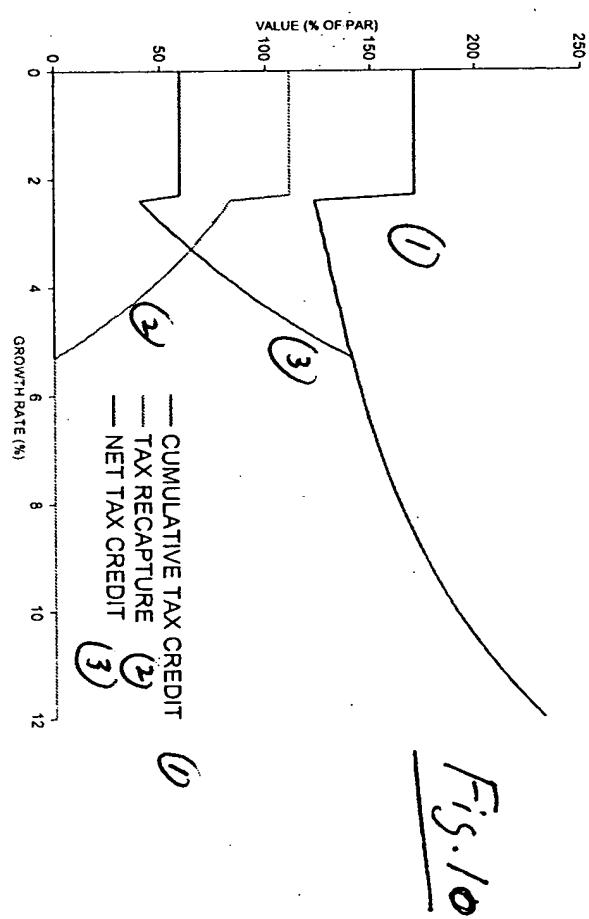


Fig. 9



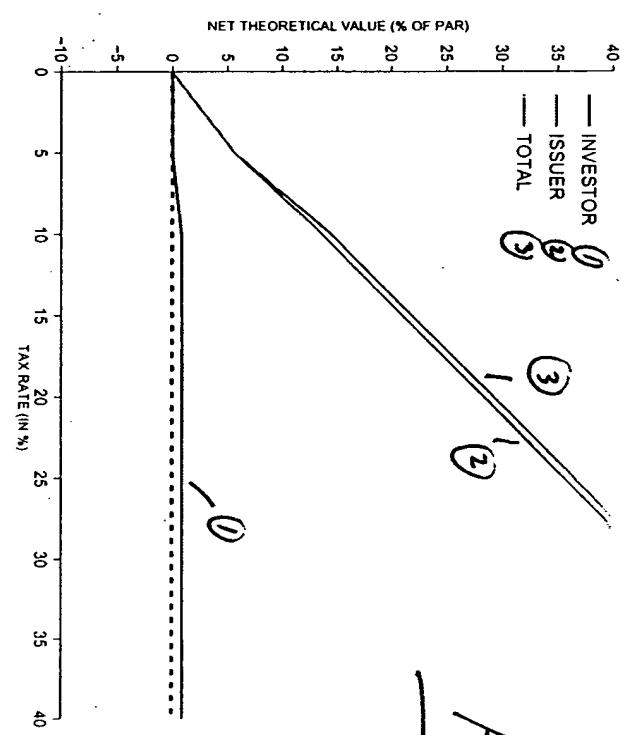


Fig. 11

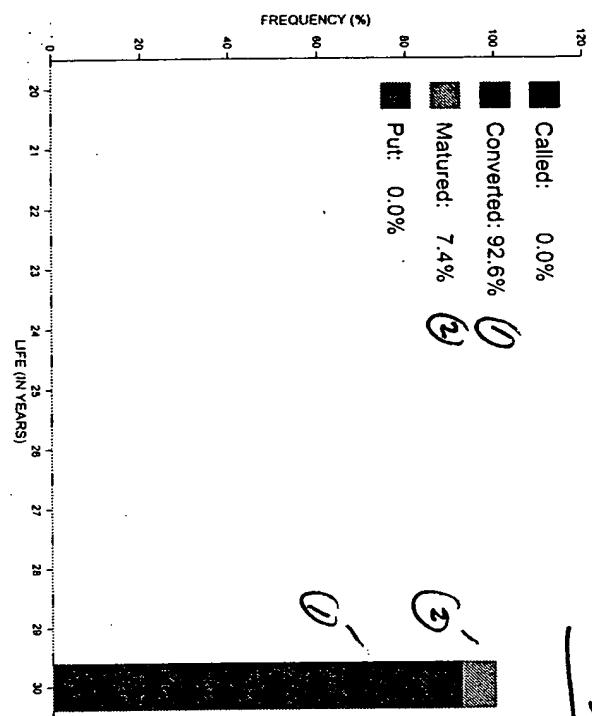


Fig. 12

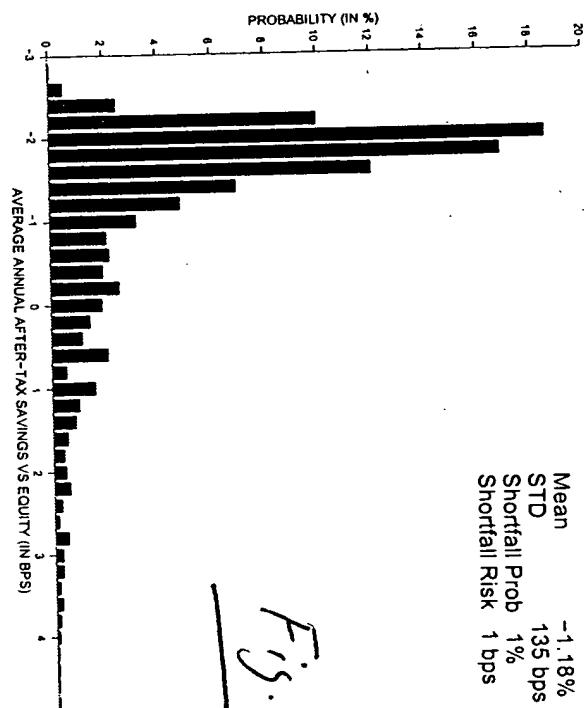


Fig. 13

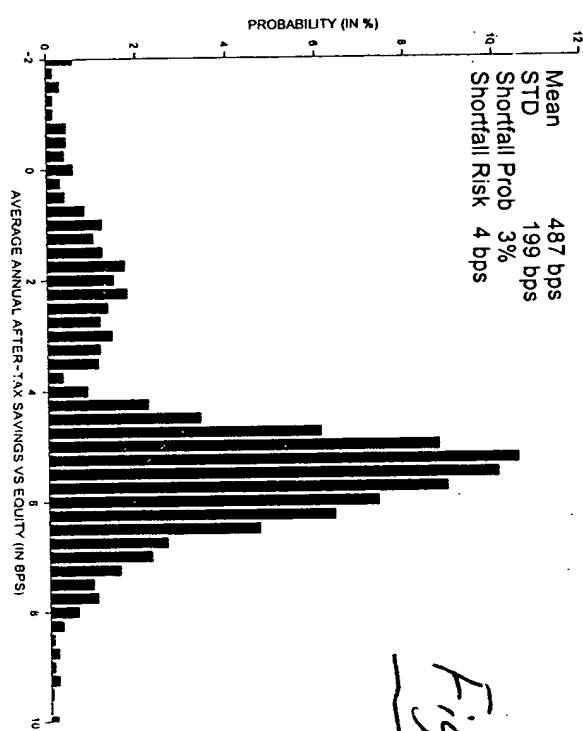
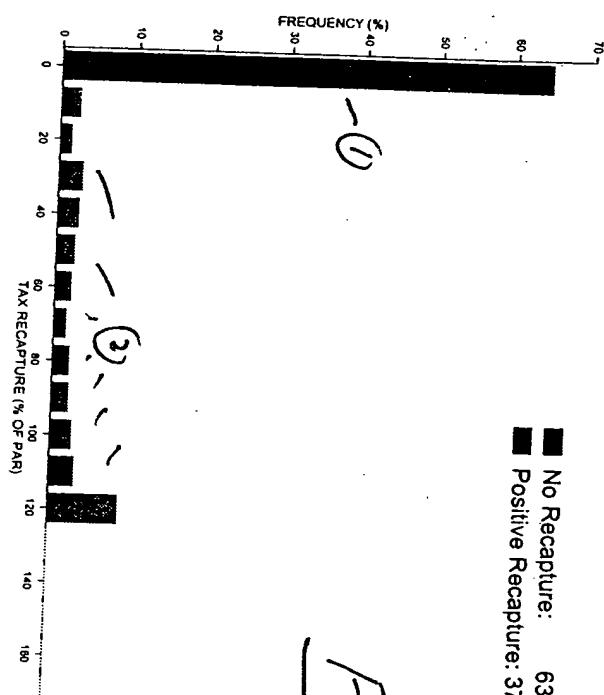


Fig. 14



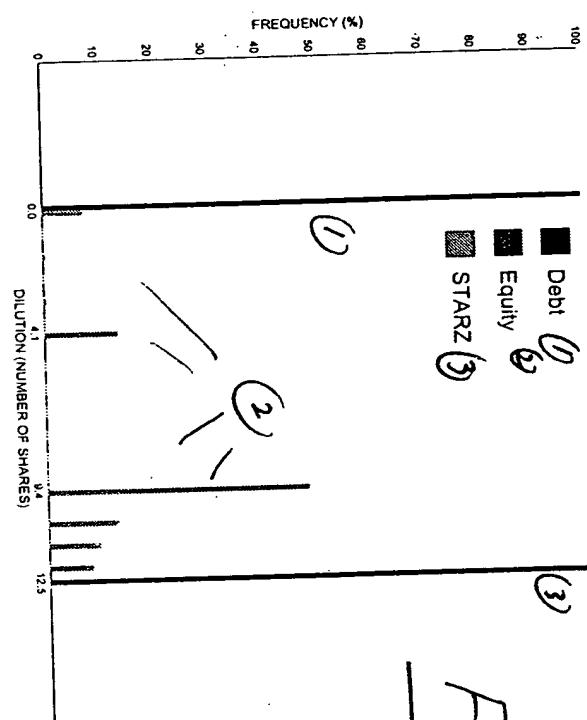


Fig. 16

Fig. 17

